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SUBJECT: IRAN TRADE MISSION TO KENYA STRICTLY BUSINESS; AHMADINEJAD
NIXES KENYA'S CONCESSIONARY OIL REQUEST

REFS: (A) NAIROBI 342 (B) 08 NAIROBI 2137

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SUMMARY

¶1. (SBU) Summary: According to the Ministry of Foreign Affairs Middle East Division director Ken Vitisia, the recent visit of Iranian President Mahjmoid Ahmadinejad, accompanied by 200 businessmen and Iranian government officials, among them Foreign Minister Manoucher Mottaki, was principally a trade mission that did not involve political discussions on Iran's nuclear ambitions, the Arab-Israeli conflict, Palestinian grievances, or the presence of American troops in Iraq. Rather, the Iranians and Kenyans sought common ground on mutually beneficial commercial relations in tea, coffee, red meat, nuts, pharmaceuticals, fertilizers, dam and road construction, drip agriculture, and the manufacture of tractors and other farming equipment. Ahmadinejad flatly refused the Kenyans' request for oil at concessionary rates, explaining Iranian law prohibits such transactions. The Iranians did agree to provide oil on a 90-day credit basis and said they would help Kenya increase its strategic oil reserve to a six months' supply and assist in the expansion of Kenya's oil storage facilities. End Summary.

Political Jacket Left in Iran

¶2. (U) At the invitation of Kenyan President Mwai Kibaki, Iranian President Mahmoud Ahmadinejad and Foreign Minister Manoucher Mottaki led a 200-member business and government delegation to Kenya,

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February 24-26, 2009. According to Ken Vitisia, Director of the Kenyan Ministry of Foreign Affairs Middle East Division, the visit was principally a trade mission that did not involve political discussions on Iran's nuclear ambitions, the Arab-Israeli conflict, Palestinian grievances, or the presence of American troops in Iraq. Rather, the Iranians and Kenyans sought common ground on mutually beneficial commercial relations, which Vitisia said had been well-defined and investigated by a series of earlier trade missions under the rubric of the "Kenya-Iran Joint Commission on Cooperation." "The Iranians," Vitisia maintained, "left their political jacket at home."

Kenya's Iranian Attraction

¶3. (SBU) When asked about Kenyan interests in Iran, Vitisia responded that Kenyan entrepreneurs of coffee, black tea, nuts (cashews and macadamia), red meat, cut flowers, fruits, and vegetables see Iran as a promising market. In addition, they believe that by partnering with reputable Iranian packaging companies and wholesalers, they can transship their products from Tehran's Chahabar Free Trade Zone to Muslim nations in the Commonwealth of Independent States, Afghanistan, and Pakistan. Iran, Vitisia acknowledged, is seen as a "launching pad" to these countries where halal meat and tea are essential components of daily dining.

¶4. (SBU) Aside from selling Kenyan products to Iran and its southwest Asia neighbors, Kenya is also keen on attracting Iranian investment in infrastructure. Vitisia said the Kenyans are impressed by Iranian know-how in road and dam construction and renovation. The Iranians hinted they might offer Kenya a long-term

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credit facility for road and bridge construction. The Kenyan government has already signed several road and dam deals involving Iranian firms (see reftels). Similarly, the Kenyans have invited Iranian investors to build plants in Kenya to manufacture tractors, other farm and irrigation equipment, and motorcycles. Iran is already involved in Kenya's energy sector. Iranian firm Farab has begun construction work on a hydroelectric power plant along the Thika-Sagana road, north of Nairobi, and on a gas power plant near Mombasa.

Iranian Interests in East Africa

15. (SBU) As for Iranian interests in Kenya, Vitisia said Iran sees Kenya as a gateway into Eastern and Central Africa. Iran aims to sell fertilizers and pharmaceuticals in Kenya and the region. Questioned about the quality of Iranian drugs, Vitisia responded confidently that after conducting their own independent investigations Kenyan officials are convinced that Iranian pharmaceuticals, notably antibiotics, are cheaper and surpass in quality medications already imported from India and China. Iran's Zynmat Healthcare has already established retail outlets in major Kenyan cities and Iranian doctors staff two clinics in Nairobi which are stocked with Iranian-made medications. The Kenyans hope that the Iranians might even open pharmaceutical and fertilizer plants in their country. To facilitate these commercial ventures, the Iranian Development Bank agreed to provide a credit line of \$400 million.

Ahmadinejad Axes Cheap Oil Request

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16. (SBU) Vitisia confirmed press reports that Ahmadinejad dismissed a Kenyan request for oil at concessionary rates. The Iranian president explained to Kibaki that Iranian law prevents him from selling crude oil below market rates. The Kenyans had futilely sought a 10% discount. The Iranians did agree to provide oil on a 90-day credit facility (the Kenyans had appealed for a 120-day extended credit arrangement). Iran agreed to increase its oil exports to four million metric tons of oil annually. (At present Iran supplies about 30% of Kenya's oil needs, second only to the UAE.) In addition, Iran agreed to help boost Kenya's strategic oil reserve to a six months' level and, according to Vitisia, will assist Kenya in expanding its oil storage capacity.

17. (U) To soften the disappointment among his hosts, Ahmadinejad offered 20 scholarships for Kenyans to study medicine and engineering in Iran. His delegation also agreed to help the Kenyans set up a surveillance system 200 kilometers offshore to monitor shipping, deep sea fishing, and piracy. A new shipping line between Mombasa and Bandar Abbas is to be established. Several memorandums of understanding were signed, including one on bilateral air services, thus allowing Kenya Airways to fly directly to Tehran. Among other pacts signed was a KSh2.48 billion grant (\$31 million) to tarmac the Rumuruti-Maralal and Nanyuki-Nyahururu roads. Iran also agreed to build two dams - Ngaa in Ukambani and Nyakoncho in western Kenya costing KSh480 million (\$6 million) and KSh2.4 billion (\$30 million) respectively.

18. (SBU) Comment: The Kenyan outreach to Iran parallels similar courting of other countries (China, Libya, Qatar, the United Arab Emirates, and Kuwait) seen as flush with money and eager to invest in Kenya. Whenever asked about these budding relationships, the Kenyans are quick to say they are strictly business ventures with no political strings attached. Vitisia stressed that he makes the same

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argument to the resident Israeli ambassador, emphasizing that Kenya remains committed to having warm relations with both Israel and the West and Iran and the (well-to-do) Arab nations. The Kenyan government is broke and scrambling to find partners to finance its infrastructure goals (such as the creation of a second deep water port in Lamu) while coming up with the money to cover its KSh127 billion (\$1.6 billion) budget deficit. End Comment.

Minimize considered.

Ranneberger